

House Passes Kosmas-Backed Measure to Eliminate Capital Gains Tax on Small Business Investments

Legislation Will Create Jobs, Encourage Small Business Growth

March 24, 2010

(Washington, DC) – Today, the U.S. House of Representatives passed a measure introduced by Congresswoman Suzanne Kosmas (FL-24) that will eliminate capital gains tax on small business investments. The provision, included in the Small Business and Infrastructure Jobs Act, would exclude 100% of capital gain income for stock in small businesses purchased from March 15, 2010 to January 1, 2011, spurring new investments in small businesses and providing the capital they need to grow and hire more workers.

The fiscally responsible legislation also includes a measure cosponsored by Kosmas that allows entrepreneurs to deduct up to \$20,000 (increased from \$5,000 in current law) in start-up expenditures and expands the number of businesses eligible for the maximum deduction.

“Small businesses are the engines for job creation in our economy and at this critical time it is imperative that we provide them the support that they need to put Central Floridians back to work,” said Congresswoman Kosmas. “This bill provides common-sense measures to boost investments and provide relief to Central Florida’s small businesses so we can continue to get our economy back on track.”

Kosmas’ measure to eliminate the capital gains tax is part of her “Central Florida Reinvestment Plan,” which she has developed to spur private investment in communities suffering from job losses, high foreclosure rates, and other economic distress. Other elements of Kosmas’ plan would provide a capital gains tax waiver to spur long-term investment in residential and commercial properties and expand eligibility for organizations to qualify for investments under the popular New Markets Tax Credit program.

The Small Business and Infrastructure Act is legislation that will spur investments in local rebuilding projects and includes a range of provisions to help small businesses grow, hire and continue to fuel our economy. The fiscally responsible legislation is fully paid for over the next decade and will not increase the deficit while it builds on the job creating measures included in the American Recovery and Reinvestment Act the HIRE Act.

Additional information on the Small Business and Infrastructure Act:

Rebuilding Communities & Creating Jobs

- Build America Bonds. Extends Build America Bonds, which has been called “one of the economic recovery

efforts biggest successes," through 2013. These bonds have been an effective tool in job creation and a vital resource for state and local governments seeking to invest in schools, sewers, hospitals and transit projects — having helped finance more than \$78 billion in infrastructure projects through March 1, 2010 creating jobs and strengthening communities across America. Currently, the federal payments for these bonds expire at the end of the year. Under the bill, these federal payments for the bonds to state and local governments would last through 2013, dropping from 35% to 30% over time.

- Recovery Zone Bonds. Extends Recovery Zone bonds for economically distressed areas through 2011 and provides more of them to ensure that all areas nationwide with high unemployment receive a minimum number of these bonds (based on their share of national unemployment). These Recovery bonds, targeted to areas with significant poverty, unemployment or home foreclosures, can be used to invest in infrastructure, job training, education, and economic development.

- TANF Emergency Fund Extension to Help Create Jobs. Helps to create jobs by extending for one year an emergency fund that 35 States are using or planning to use for a jobs program that subsidizes employers, including small businesses, who hire unemployed workers. This Fund is currently on track to put over 160,000 Americans back to work, with more to come if extended, and is supported by the National Governors Association, the National Conference of State Legislatures, and the National Association of Counties. The Fund's extension is needed so States and counties can continue their subsidized jobs programs and can continue to provide assistance to needy families. The TANF Emergency Fund will expire on September 30 with some States planning to discontinue their job programs between April and June without this extension.

- Exempt New Markets Tax Credit from AMT. Exempts the New Markets Tax Credit (NMTC), which leverages federal tax credits to encourage significant investment in low-income communities, from the Alternative Minimum Tax. This will encourage more investors to make investments in low-income communities.

Support Small Businesses, the Engine of our Economy (\$3.6 billion over 10 years)

- Spur Investment in Small Businesses. Increases the capital gains tax cut for those who invest in small businesses this year, like a proposal in President Obama's budget. The bill would exclude 100% of capital gain income for stock in small business purchased from March 15, 2010 to January 1, 2011. This will spur new investments in small business with new capital they need to grow and hire more workers.

- Small Business Penalty Relief. Fixes a tax shelter disclosure penalty (Section 6707A) that has had a disproportionate effect on small businesses. Endorsed by the Small Business Council of America, the bill makes penalties for failing to disclose on their taxes reportable transactions proportionate to the underlying tax savings for small businesses. Some of these businesses were assessed tax penalties as high as \$300,000 per year for receiving a tax benefit of as little as \$15,000 from the unreported transaction. This bipartisan provision passed the Senate unanimously on February 9, 2010.

- Increase in deduction for business start-up expenditures. Entrepreneurs can deduct up to \$20,000 (up from \$5,000 in current law) in start-up expenditures in connection with investigating the creation of a business (but not capital or equipment), and more businesses could get the maximum deduction. By allowing entrepreneurs to recover a greater portion of their start-up expenses, the proposal would assist small business owners in overcoming these barriers so they too can focus on hiring new workers and growing their business.

###

